

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS COMMITTEE**

**HELD ON
Thursday, November 30, 2006
10:30 a.m., MST**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Michael Townsend, Chair, called the meeting to order at 10:30 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Michael Townsend, Chair
Mr. Steven Zeman, Vice-Chair
Dr. Keith Meredith (via Teleconference)
Mr. David Byers (via Teleconference)

A quorum of the Committee was present for the purpose of conducting business.

2. Presentation, Discussion and Appropriate Action Regarding the Deputy Director's Quarterly Information Technology (IT) Plan Report

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Mr. Bob Solheim, the ASRS Independent Advisory Consultant (IAC), who updated the Committee on the status of various projects within the IT Plan from an enterprise-wide perspective.

Mr. Solheim presented a chart to the Committee regarding an assessment of the enterprise IT plan's progress. The chart was divided into the various key performance indicators of the plan. Each indicator was rated green (satisfactory progress), yellow (at risk), or red (unsatisfactory). All items were rated green, except for the item regarding staffing levels, which have been problematic due to resignations.

Mr. Kent Smith, Assistant Director, Information Services Division (ISD), gave an update on the current status of the various information technology items that were either completed or are currently in development. These areas included the back-file conversion process, the replacement of the client server Dbase program, the integration testing of the web self-services

project, a new PERIS Online Survivor Benefits application, development work on image-enabling the Retirement Application and associated workflow, contribution posting, and the organization of a team to review and compile a comprehensive report on the various cost benefits associated with business reengineering and development since the beginning of the IT plan.

Ms. Inger Dickson, ISD Business Analyst, gave a demonstration of the ASRS web self-service application. She showed a step-by-step presentation of how a member or retiree could access various information and update that information if needed.

Mr. Bala Subramanian, an ISD Consultant, presented a demonstration of the new program on performance reporting on Forfeitures. This program would allow the Agency to track the number of Forfeitures being completed as well as a break down of the actual number each team member completes.

3. Presentation, Discussion and Appropriate Action Regarding the Operations Committee's Role in Preparation of the 2007 Risk Assessment for the ASRS

Mr. Guarino addressed the Committee regarding the upcoming risk assessment evaluation for 2007. He said that in years past, ASRS Staff would create a list of potential risks to agency operations - grading each item based on the risk involved - and then determine the audit areas for the biennial audit plan. This list would then be brought to the Committee for approval.

Mr. Guarino then introduced Mr. Bernard Glick, Chief Internal Auditor, who gave a brief overview of the 2005-2006 risk assessment with final grades. Mr. Glick stated there would be a change with the upcoming risk assessment list of areas as Staff would be requesting input from Committee members on other areas that should be included in the risk assessment and two-year audit plan.

It was suggested by members of the Committee that other sources be used to determine areas of risk, including the ASRS External Auditor Deloitte and Touche or lists from other state pension plans.

4. Review of Recently Conducted Audits

- **Agua Fria Union High School District**
- **ASRS Training**
- **ASRS Benefit Estimates**

Mr. Glick gave a report on a recent audit of the Agua Fria Union High School District. He said it had been determined the employer owed the ASRS \$38,949.00 in contributions and interest due to eligible employees not having had contributions remitted to the ASRS as well as the high school district not contributing their portion as well. Agua Fria officials also failed to identify retirees who were eligible for health insurance supplements and one ineligible retiree who was receiving benefits.

Mr. Glick addressed the Committee regarding a recent audit of ASRS Training. Mr. Glick noted three areas of concern: the use of Social Security numbers for training purposes, ASRS managers not attending required leadership training, and ASRS employees not attending required

training classes as mandated by statute. Mr. Glick stated steps had been taken to rectify all three situations.

The final audit presented by Mr. Glick dealt with a review of the ASRS Benefit Estimates that are generated by the ASRS Member Services Division (MSD). He noted there was only a 0.5% reportable error rate which he said was commendable. Mr. Glick stated one concern raised by the audit was the absence of imaged benefit estimates in the Filenet system, even though those documents were listed as being available in the ASRS Contact Tracking system. This should be rectified in the future with program upgrades.

5. Presentation, Discussion and Appropriate Action Regarding the 2007 Proposed Operations Committee Calendar

Mr. Guarino presented the proposed OC meeting calendar to the Committee for review. He noted there would be five meetings for the year with a sixth meeting to be held in August if necessary. He also pointed out that due to the holiday period at the end of the year, the normal November meeting was being moved to mid-December to avoid conflicts with Thanksgiving and Christmas.

The Committee made no changes to the proposed calendar. However, Mr. Guarino said the calendar might change should circumstances dictate.

6. Request for Future Agenda Items

The Committee members asked the following items be considered for future agendas:

- Review of approach on how audits are determined.

7. Call to the Public

No members of the public addressed the Committee.

8. Adjournment of the OC

Mr. Michael Townsend adjourned the meeting at 12:01 p.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date